

**SOUTH O'BRIEN  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2007**

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2007  
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## **SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**

### **LIST OF PRINCIPAL OFFICIALS**

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#### **Board of Education (Before September 2006 Election)**

		Term Expires
Brad McDowell	President	2006
Phil Syndergaard	Vice President	2008
John Friedrichsen	Board Member	2008
Bill Johannsen	Board Member	2006
Sue McCauley	Board Member	2007
Brian Massmann	Board Member	2008
Bonnie Wallinga	Board Member	2007

#### **Board of Education (After September 2006 Election)**

John Friedrichsen	President	2008
Phil Syndergaard	Vice President	2008
Brian Massmann	Board Member	2008
Bonnie Wallinga	Board Member	2007
Lori Burmakow	Board Member	2009
Sue McCauley	Board Member	2007
Brian Schimmer	Board Member	2009

#### **School Officials**

Jerry Nichols	Superintendent	2007
Sharla Rupert	Board Secretary	2007



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P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
South O'Brien Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the South O'Brien Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South O'Brien Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of South O'Brien Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007 on our consideration of the South O'Brien Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South O'Brien Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information, included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
October 30, 2007

# **Management Discussion and Analysis**

The South O'Brien Community District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. Readers are encouraged to consider this information in conjunction with the District's financial statements, which follow this section.

## **2007 FINANCIAL HIGHLIGHTS**

General fund revenues increased slightly from \$6,093,754 in fiscal 2006 to \$6,096,357 in fiscal 2007, while General fund expenditures decreased from \$6,038,219 in fiscal year 2006 to \$5,977,318 in fiscal 2007. The District's General fund balance increased from \$1,136,561 in fiscal 2006 to \$1,255,600 in fiscal 2007, which is a 10.4% increase.

There was only a slight increase in General fund revenues. The decrease in expenditures is partly due to the fact that the District ceased participating in the Area Education Agency pool program. The District added three special education classrooms which have proven to be a more economical delivery system for the District.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with comparison of District's budget for the year.

Other Supplementary Information provides detailed information about the non-major special revenue funds, capital project funds, and the debt service fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1  
South O'Brien Community School District  
Annual Financial Report

**Figure A-1**  
**GASB 34 South O'Brien Community School District Annual Financial Report**

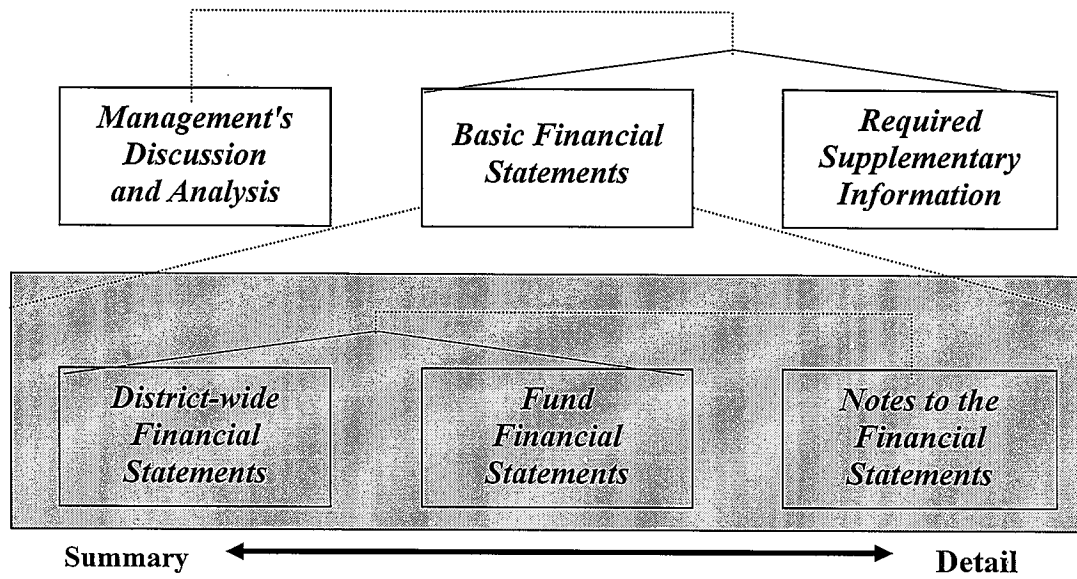


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide financial statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.



In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- Governmental funds: Most of the District's basis services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether these are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the school nutrition fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 and 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 5,870,622	\$ 5,528,082	\$ 27,560	\$ 37,585	\$ 5,898,182	\$ 5,565,667	-5.6%
Capital Assets	4,560,081	4,624,459	79,641	75,372	4,639,722	4,699,831	1.3%
<b>Total Assets</b>	<b>10,430,703</b>	<b>10,152,541</b>	<b>107,201</b>	<b>112,957</b>	<b>10,537,904</b>	<b>10,265,498</b>	<b>-2.6%</b>
Current Liabilities	3,532,930	3,317,664	11,435	12,955	3,544,365	3,330,619	-6.0%
Long-Term Liabilities	3,407,061	2,690,889	-	-	3,407,061	2,690,889	-21%
<b>Total Liabilities</b>	<b>6,939,991</b>	<b>6,008,553</b>	<b>11,435</b>	<b>12,955</b>	<b>6,951,426</b>	<b>6,021,508</b>	<b>-13.4%</b>
<b>Net Assets</b>							
Invested in capital asset							
Net of related debt	1,745,081	2,144,459	79,641	75,372	1,824,722	2,219,831	21.6%
Restricted	268,921	301,422	-	-	268,921	301,422	12.1%
Unrestricted	1,476,710	1,698,107	16,125	24,630	1,492,835	1,722,737	15.4%
<b>Total Net Assets</b>	<b>\$ 3,490,712</b>	<b>\$ 4,143,988</b>	<b>\$ 95,766</b>	<b>\$ 100,002</b>	<b>\$ 3,586,478</b>	<b>\$ 4,243,990</b>	<b>18.3%</b>

The District's combined net assets increased by 18.3%, or approximately \$658,000, over the prior year. The largest portion of the District's net assets is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$32,500 or 12% from the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-increased approximately \$230,000 or 15.4%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 and 2006.

**Figure A-4**  
**Changes in Net Assets from Operations**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Revenue:							
Program Revenue:							
Charges for Services	\$ 625,614	\$ 332,711	\$ 139,345	\$ 123,174	\$ 764,959	\$ 455,885	-40.4%
Operating Grants and Contributions	478,322	1,047,307	116,066	126,418	594,388	1,173,725	97.5%
Capital Grants and Contributions	-	-	-	-	-	-	-
General Revenues:							
Property Tax	2,798,202	2,630,718	-	-	2,798,202	2,630,718	-6.0%
Instructional Support Surtax	226,436	240,607	-	-	226,436	240,607	6.3%
Local Option Sales Tax	408,055	443,957	-	-	408,055	443,957	8.8%
Unrestricted State Grants	2,483,895	2,415,642	-	-	2,483,895	2,415,642	-2.7%
Unrestricted Investment Earnings	132,791	139,940	-	897	132,791	140,837	6.1%
(Loss) on Disposal of Assets	(10,847)	-	-	-	(10,847)	-	-100%
Use of Money & Property	537	-	1,513	-	2,050	-	-100%
Other	21,714	15,550	237	138	21,951	15,688	-28.5%
Transfers	(43,738)	-	43,738	-	-	-	-
<b>TOTAL REVENUES</b>	<b>7,120,981</b>	<b>7,266,432</b>	<b>300,899</b>	<b>250,627</b>	<b>7,421,880</b>	<b>7,517,059</b>	<b>1.28%</b>
Program Expenses:							
Instruction	4,053,931	4,204,540	-	-	4,053,931	4,204,540	3.72%
Support Services	2,237,843	1,978,949	-	-	2,237,843	1,978,949	-11.6%
Non-instructional Programs	-	-	253,220	246,391	253,220	246,391	-2.7%
Other Expenses	441,820	429,667	-	-	441,820	429,667	-2.8%
<b>TOTAL EXPENSES</b>	<b>6,733,594</b>	<b>6,613,156</b>	<b>253,220</b>	<b>246,391</b>	<b>6,986,814</b>	<b>6,859,547</b>	<b>-1.8%</b>
<b>Change in Net Assets</b>	<b>\$ 387,387</b>	<b>\$ 653,276</b>	<b>\$ 47,679</b>	<b>\$ 4,236</b>	<b>\$ 435,066</b>	<b>\$ 657,512</b>	<b>51.1%</b>

Property tax, local option sales tax, and instructional support surtax, and unrestricted state grants account for nearly 80% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for over 93% of the total expenses.

### Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

**Figure A-5**  
**Net Cost of Governmental**  
**Activities**

	Total Cost of Services		%	Net Cost of Services		%
	2006	2007	Change	2006	2007	Change
Instruction	\$ 4,053,931	\$ 4,204,540	3.72 %	\$ 3,269,560	\$ 3,141,007	-3.93%
Support Services	2,237,843	1,978,949	-11.6%	2,161,826	1,907,400	-11.77%
Other	441,820	429,667	-2.75%	202,744	184,731	-8.88%
<b>TOTAL</b>	<b>\$ 6,733,594</b>	<b>\$ 6,613,156</b>	<b>-1.79%</b>	<b>\$ 5,634,130</b>	<b>\$ 5,233,138</b>	<b>-7.12%</b>

- The cost financed by users of the District's programs was \$332,711.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,047,307.
- The net cost of governmental activities was financed with \$3,315,282 in property and other taxes and \$2,415,642 in unrestricted state grants.

### **Business Type Activities**

Revenues of the District's business type activity (school food and nutrition services) were \$250,627 and expenses were \$246,391. (Refer to Figure A-4) Revenues of this activity were comprised of charges for services, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the South O'Brien Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,118,624, ahead of last year's ending fund balances of \$1,918,758.

### **Governmental Fund Highlights**

- The General Fund balance increased slightly from \$1,136,561 in fiscal 2006 to \$1,255,600 in fiscal 2007.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased slightly from \$180,672 in fiscal 2006 to a balance of \$215,986 in fiscal 2007.
- The Capital Projects LOST Fund balance increased slightly from \$501,670 at June 30, 2006 to \$561,602 on June 30, 2007.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased slightly from \$95,766 at June 30, 2006 to \$100,002 at June 30, 2007.

## General Fund Budgeting Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutory prescribed procedure. The District's budget is prepared on the accrual basis. During the year expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2007, the District had invested \$9,062,555 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see figure A-6). Total depreciation expense for the year equaled \$284,289. More detailed information about capital assets can be found in Note 6 to the financial statements.

Figure A-6  
Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Land	\$ 51,351	\$ 51,351	-	-	\$ 51,351	\$ 51,351	-
Buildings	6,462,043	6,603,014	-	-	6,462,043	6,603,014	2.18%
Improvements other than buildings	120,585	120,585	-	-	120,585	120,585	-
Furniture and Equipment	2,517,759	2,659,086	\$177,292	\$ 179,155	2,695,051	2,838,241	5.3%
<b>Total Assets</b>	<b>\$ 9,151,738</b>	<b>\$ 9,434,036</b>	<b>\$177,295</b>	<b>\$ 179,155</b>	<b>\$ 9,329,030</b>	<b>\$ 9,613,191</b>	<b>3.0%</b>

### Long-Term Debt

At year end, the District had \$1,075,000 in general obligation bonds outstanding, \$1,405,000 in LOSST revenue bonds outstanding, \$63,663 in early retirement obligations, \$22,903 in special assessment notes payable, and \$12,323 in compensated absences. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

## Economic Factors Bearing on District's Future

At the time these financial statements were prepared, the District was aware of the following existing circumstances that could affect its financial health in the future.

- Enrollment declined and budget guarantee reduction will be reflected in the fiscal 2009 budget.

- There will be no new money for fiscal 2008. The expenditures for fiscal 2008 are projected to increase by \$300,000. This scenario will require critical review of utilization of staff for fiscal 2009.
- Reducing agricultural land valuation during fiscal 2004 negatively impacted our PPEL levy by approximately \$55,000 a year. Over a ten year period, PPEL receipts will be less by at least \$550,000.
- During fiscal 2005, 2006 and 2007, receipts in the General Fund were greater than expenditures. This is the result of closely monitoring staffing and expenses district wide.

**Contacting the District's Financial Manager**

This financial report is designed to provide the District's patrons, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the revenue it receives. If you have questions about this report or need additional financial information, contact Richard Nervig, Supt. or Julie Sampson, School Business Manager, South O'Brien Community School District, 206 S. Rutledge St., Paullina, Iowa.

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 2,125,982	\$ 17,022	\$ 2,143,004
Receivables:			
Property Tax	54,875	-	54,875
Succeeding Year Property Tax	2,694,029	-	2,694,029
Accounts	693	60	753
Due from Other Governments	216,575	10,484	227,059
Restricted Assets:			
ISCAP Investments	111,823	-	111,823
ISCAP Interest Receivable	4,409	-	4,409
Bankers Trust Sinking Fund	131,005	-	131,005
Bankers Trust Reserve Fund	174,000	-	174,000
Inventories	7,369	10,019	17,388
Bond Issue Costs	7,322	-	7,322
Land	51,351	-	51,351
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,573,108	75,372	4,648,480
Total Assets	10,152,541	112,957	10,265,498
<b>LIABILITIES</b>			
Accounts Payable	60,061	-	60,061
Salaries and Benefits Payable	523,039	10,120	533,159
Accrued Interest Payable	30,422	-	30,422
Unearned Revenue	9,254	2,835	12,089
Deferred Revenue - Succeeding Year Taxes	2,694,029	-	2,694,029
ISCAP Unamortized Premium	831	-	831
ISCAP Interest Payable	28	-	28
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences	12,323	-	12,323
ISCAP Warrants Payable	112,000	-	112,000
Notes Payable	11,454	-	11,454
Bonds Payable	180,000	-	180,000
GO Capital Loan Notes Payable	165,000	-	165,000
Early Retirement Payable	8,000	-	8,000
Due in More Than One Year:			
Notes Payable	11,449	-	11,449
Bonds Payable	1,225,000	-	1,225,000
GO Capital Loan Notes Payable	910,000	-	910,000
Early Retirement Payable	55,663	-	55,663
Total Liabilities	6,008,553	12,955	6,021,508
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,144,459	75,372	2,219,831
Restricted for:			
Endowments:			
Expendable	11,408	-	11,408
Nonexpendable	2,422	-	2,422
Management Levy	30,251	-	30,251
Physical Plant and Equipment Levy	215,986	-	215,986
Other Special Revenue Purposes	41,355	-	41,355
Unrestricted	1,698,107	24,630	1,722,737
Total Net Assets	\$ 4,143,988	\$ 100,002	\$ 4,243,990

See Accompanying Notes to Financial Statements



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 2,638,874	\$ 90,745	\$ 382,720	\$ -
Special Instruction	1,079,850	60,120	341,751	-
Other Instruction	485,816	172,930	15,267	-
Support Services:				
Student Services	158,246	-	8,065	-
Instructional Staff Services	268,655	-	7,000	-
Administration Services	681,626	-	-	-
Operation and Maintenance	479,018	8,327	-	-
Transportation Services	391,404	589	47,568	-
Other Expenditures:				
Facilities Acquisition and Construction Services	85,949	-	-	-
Long-term Debt Interest	98,782	-	-	-
AEA Flowthrough	244,936	-	244,936	-
Total governmental activities	<u>6,613,156</u>	<u>332,711</u>	<u>1,047,307</u>	<u>-</u>
<b>Business Type Activity:</b>				
Non-instructional Programs				
Food Service Operations	<u>246,391</u>	<u>123,174</u>	<u>126,418</u>	<u>-</u>
Total	<u>\$ 6,859,547</u>	<u>\$ 455,885</u>	<u>\$ 1,173,725</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (2,165,409)		\$ (2,165,409)
(677,979)		(677,979)
(297,619)		(297,619)
(150,181)		(150,181)
(261,655)		(261,655)
(681,626)		(681,626)
(470,691)		(470,691)
(343,247)		(343,247)
(85,949)		(85,949)
(98,782)		(98,782)
-		-
<u>(5,233,138)</u>		<u>(5,233,138)</u>
	\$ 3,201	3,201
<u>(5,233,138)</u>	<u>3,201</u>	<u>(5,229,937)</u>
2,322,331	-	2,322,331
308,387	-	308,387
240,607	-	240,607
443,957	-	443,957
2,415,642	-	2,415,642
139,940	897	140,837
15,550	138	15,688
<u>5,886,414</u>	<u>1,035</u>	<u>5,887,449</u>
653,276	4,236	657,512
3,490,712	95,766	3,586,478
<u>\$ 4,143,988</u>	<u>\$ 100,002</u>	<u>\$ 4,243,990</u>

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 1,669,592	\$ 167,763	\$ 209,845	\$ 78,782	\$ 2,125,982
Receivables:					
Property Tax	46,453	-	6,302	2,120	54,875
Succeeding Year Property Tax	2,260,110	-	283,919	150,000	2,694,029
Accounts	115	-	-	578	693
Due from Other Funds	-	-	-	5,298	5,298
Due from Other Governments	127,741	88,834	-	-	216,575
Restricted Assets:					
ISCAP Investments	111,823	-	-	-	111,823
ISCAP Interest Receivable	4,409	-	-	-	4,409
Bankers Trust Sinking Fund	-	131,005	-	-	131,005
Bankers Trust Reserve Fund	-	174,000	-	-	174,000
Inventories	6,692	-	-	677	7,369
Total Assets	4,226,935	561,602	500,066	237,455	5,526,058
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	59,461	-	-	600	60,061
Due to Other Funds	5,298	-	-	-	5,298
Salaries and Benefits Payable	523,039	-	-	-	523,039
Early Retirement Payable	-	-	-	1,332	1,332
Unearned Revenue	10,568	-	161	87	10,816
Deferred Revenue - Succeeding Year Taxes	2,260,110	-	283,919	150,000	2,694,029
ISCAP Unamortized Premium	831	-	-	-	831
ISCAP Interest Payable	28	-	-	-	28
ISCAP Warrants Payable	112,000	-	-	-	112,000
Total Liabilities	2,971,335	-	284,080	152,019	3,407,434
Fund Balances:					
Reserved for:					
Inventory	6,692	-	-	677	7,369
Endowments	-	-	-	13,830	13,830
Unreserved for:					
General Fund	1,248,908	-	-	-	1,248,908
Special Revenue Fund	-	-	215,986	70,929	286,915
Capital Project Fund	-	561,602	-	-	561,602
Total Fund Balances	1,255,600	561,602	215,986	85,436	2,118,624
Total Liabilities and Equity	\$ 4,226,935	\$ 561,602	\$ 500,066	\$ 237,455	\$ 5,526,058

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 2,118,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,624,459
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(30,422)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	7,322
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	1,562
Long-term liabilities, including notes payable, bonds payable, early retirement payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,577,557)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 4,143,988</u></u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>					
Local Sources:					
Local Tax	\$ 2,365,615	\$ 443,957	\$ 404,630	\$ 100,145	\$ 3,314,347
Tuition	136,085	-	-	-	136,085
Other	136,902	19,118	13,852	194,893	364,765
State Sources	3,010,114	-	-	-	3,010,114
Federal Sources	447,641	-	-	-	447,641
Total Revenue	6,096,357	463,075	418,482	295,038	7,272,952
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular Instruction	2,552,761	-	-	35,261	2,588,022
Special Instruction	1,087,443	-	-	-	1,087,443
Other Instruction	332,594	-	-	161,637	494,231
Support Services:					
Student Services	158,246	-	-	-	158,246
Instructional Staff Services	232,803	-	-	6,919	239,722
Administration Services	616,132	37	38	63,346	679,553
Operation and Maintenance	429,615	31,154	60,833	21,405	543,007
Transportation Services	322,788	-	83,357	20,889	427,034
Other Expenditures:					
Facilities Acquisition and Construction Services	-	144,529	18,728	-	163,257
Long-term Debt:					
Principal	-	-	-	346,454	346,454
Interest and Fiscal Charges	-	-	-	101,181	101,181
AEA Flowthrough	244,936	-	-	-	244,936
Total Expenditures	5,977,318	175,720	162,956	757,092	7,073,086
Excess (Deficiency) of Revenues Over Expenditures	119,039	287,355	255,526	(462,054)	199,866
Other Financing Sources (Uses):					
Transfers In	-	-	-	447,635	447,635
Transfers Out	-	(227,423)	(220,212)	-	(447,635)
Total Other Financing Sources (Uses)	-	(227,423)	(220,212)	447,635	-
Net Change in Fund Balances	119,039	59,932	35,314	(14,419)	199,866
Fund Balances - Beginning of Year	1,136,561	501,670	180,672	99,855	1,918,758
Fund Balances - End of Year	\$ 1,255,600	\$ 561,602	\$ 215,986	\$ 85,436	\$ 2,118,624

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 199,866
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 354,388	
Depreciation expense	<u>(277,029)</u>	77,359

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(12,981)
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Accrued interest expense that does not require current financial resources.	3,612
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(871)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated Absences	(4,619)	
Early retirement	<u>45,669</u>	41,050

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(1,213)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Notes Payable	11,454	
Bonds Payable	170,000	
Capital Loan Notes Payable	<u>165,000</u>	<u>346,454</u>

Change in net assets of governmental activities (page 15)	\$ <u><u>653,276</u></u>
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See Accompanying Notes to Financial Statements

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	Business Type Activity School Nutrition Fund
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Pooled Investments	\$ 17,022
Accounts Receivable	60
Due from Other Governments	10,484
Inventories	10,019
Total Current Assets	<u>37,585</u>
<b>Noncurrent Assets:</b>	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>75,372</u>
Total Noncurrent Assets	<u>75,372</u>
Total Assets	<u>112,957</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Salaries and Benefits Payable	10,120
Unearned Revenue	<u>2,835</u>
Total Current Liabilities	<u>12,955</u>
Total Liabilities	<u>12,955</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	75,372
Unrestricted	24,630
Total Net Assets	<u>\$ 100,002</u>

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activity School Nutrition Fund</b>
Operating Revenues:	
Charges for services	\$ 123,174
Miscellaneous	138
Total Operating Revenue	<u>123,312</u>
Operating Expenditures:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	61,112
Benefits	28,379
Purchased Services	2,962
Supplies	141,545
Depreciation	7,260
Loss on Disposal of Capital Assets	<u>5,133</u>
Total Operating Expenses	<u>246,391</u>
Operating (Loss)	<u>(123,079)</u>
Non-Operating Revenues :	
Interest Income	897
State Lunch Reimbursements	3,506
National School Lunch Program	92,420
Federal Food Commodities Received	<u>30,492</u>
Total Non-Operating Revenues	<u>127,315</u>
Change in net assets	4,236
Net Assets - beginning	<u>95,766</u>
Net Assets - ending	<u><u>\$ 100,002</u></u>

See Accompanying Notes to Financial Statements



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activity School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 126,009
Cash received from miscellaneous operating activities	129
Cash paid to employees for services	(61,112)
Cash paid to suppliers for goods or services	(142,994)
Total cash (used) by operating activities	<u>(77,968)</u>
<b>Cash flows from noncapital financing activities:</b>	
State grants received	3,506
Federal grants received	81,936
Total cash provided by noncapital financing activities	<u>85,442</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(8,124)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>897</u>
Net increase in cash and cash equivalents	247
Cash and cash equivalents - beginning of year	<u>16,775</u>
Cash and cash equivalents - end of year	<u><u>17,022</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(123,079)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	7,260
Commodities used	30,492
Loss on disposal of capital assets	5,133
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	(9)
Inventories	715
Accounts Payable	(2,792)
Salaries and benefits payable	1,477
Unearned Revenue	<u>2,835</u>
Net cash (used) in operating activities	<u><u>\$ (77,968)</u></u>
<b>Non-cash investing, capital and financing activities:</b>	
Federal food commodities received	<u><u>\$ 30,492</u></u>

See Accompanying Notes to Financial Statements

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South O'Brien Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Paullina, Primghar and Sutherland, Iowa, and the predominate agricultural territory in O'Brien, Cherokee, and Clay Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, South O'Brien Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In June, 2002, the District established the South O'Brien Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the South O'Brien Community School District as a blended component unit for the year ended June 30, 2007.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the O'Brien County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The Capital Project LOST Fund is used to account for the collection of a 1% school local sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the district.

**C. Basis of Accounting/Measurement Focus**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charged to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$500 for governmental capital assets and school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Land Improvements	15-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)**

At June 30, 2007, the District had the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
ISCAP – Guaranteed Interest Contract	Not Rated	\$ 111,823
U.S. Treasury Obligations	N/A	\$ 305,005

**NOTE 3 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<b>Transfer From</b>	<b>Transfer To</b>	<b>Amount</b>
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	\$ 220,212
Capital Project LOST	Debt Service	227,423
Total		<u>\$ 447,635</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Special Revenue:		
Student Activity	General	\$ 5,298

Receipts were recorded in the General Fund that should have been recorded in the Student Activity Fund. The balance will be repaid by June 30, 2008.

**NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)**

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

<b>Series</b>	<b>Warrant Date</b>	<b>Final Warrant Maturity</b>	<b>Investments</b>	<b>Accrued Interest Receivable</b>	<b>Warrants Payable</b>	<b>Accrued Interest Payable</b>
2006-07A	06/28/06	06/28/07	\$ -	\$ 4,375	\$ -	\$ -
2007-08A	06/27/07	06/27/08	111,823	34	112,000	28
			<u>\$ 111,823</u>	<u>\$ 4,409</u>	<u>\$ 112,000</u>	<u>\$ 28</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED)**

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<b>Series</b>	<b>Interest Rates on Warrants</b>	<b>Interest Rates on Investments</b>
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2007</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,351	\$ -	\$ -	\$ 51,351
Total capital assets not being depreciated	51,351	-	-	51,351
Capital assets being depreciated:				
Buildings	6,462,043	140,971	-	6,603,014
Improvements other than buildings	120,585	-	-	120,585
Furniture and equipment	2,517,759	213,417	72,090	2,659,086
Total capital assets being depreciated	9,100,387	354,388	72,090	9,382,685
Less: Accumulated Depreciation for:				
Buildings	2,540,246	130,296	-	2,670,542
Improvements other than buildings	120,585	-	-	120,585
Furniture and equipment	1,930,826	146,733	59,109	2,018,450
Total Accumulated Depreciation	4,591,657	277,029	59,109	4,809,577
Total capital assets being depreciated, net	4,508,730	77,359	12,981	4,573,108
Governmental activities capital assets, net	\$ 4,560,081	\$ 77,359	\$ 12,981	\$ 4,624,459
	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2007</b>
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 177,292	\$ 8,124	\$ 6,261	\$ 179,155
Less: Accumulated Depreciation	97,651	7,260	1,128	103,783
Business-type activities capital assets, net	\$ 79,641	\$ 864	\$ 5,133	\$ 75,372



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the functions as follows:

**Governmental Activities:**

Regular Instruction	\$ 151,400
Other Instruction	3,907
Instructional Staff Services	58,843
Administration Services	638
Operation and Maintenance	1,661
Transportation Services	60,580
	<u>277,029</u>

Total depreciation expense – governmental activities	<u>\$ 277,029</u>
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**Business-type activities:**

Food Service Operations	<u>\$ 7,260</u>
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**Reconciliation of Invested in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 51,351	\$ -
Capital Assets (net of accumulated depreciation)	4,573,108	75,372
Less: Revenue Bonds Payable	(1,405,000)	-
Capital Loan Notes Payable	(1,075,000)	-
	<u>\$ 2,144,459</u>	<u>\$ 75,372</u>
Invested in Capital Assets, Net of Related Debt		

**NOTE 7 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
LOST Revenue Bonds	\$ 1,575,000	\$ -	\$ 170,000	\$ 1,405,000	\$ 180,000
Notes Payable	34,357	-	11,454	22,903	11,454
General Obligation Capital					
Loan Notes	1,240,000	-	165,000	1,075,000	165,000
Early Retirement	124,000	-	60,337	63,663	8,000
Compensated Absences	7,704	12,323	7,704	12,323	12,323
Total	<u>\$ 2,981,061</u>	<u>\$ 12,323</u>	<u>\$ 414,495</u>	<u>\$ 2,578,889</u>	<u>\$ 376,777</u>

**General Obligation Capital Loan Notes**

On September 9, 2004, the District issued \$1,000,000 general obligation capital loan notes with an interest rate of 1.650%-3.650% to provide funds for capital improvements. On April 1, 2005, the District issued \$495,000 general obligation capital loan notes with an interest rate of 3.100%-4.600% to provide funds for capital improvements.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30	\$495,000 Capital Loan Notes		\$1,000,000 Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 60,000	\$ 13,575	\$ 105,000	\$ 22,670	\$ 165,000	\$ 36,245
2009	60,000	10,815	110,000	19,888	170,000	30,703
2010	60,000	8,955	115,000	16,643	175,000	25,598
2011	65,000	7,005	120,000	12,963	185,000	19,968
2012	65,000	4,795	120,000	8,822	185,000	13,617
2013	70,000	2,520	125,000	4,562	195,000	7,082
Total	\$ 380,000	\$ 47,665	\$ 695,000	\$ 85,548	\$1,075,000	\$ 133,213

**Revenue Bonds**

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. \$174,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2007.

Revenue bonds as of June 30, 2007 are as follows:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amounts</u></b>
Governmental Activities	3.25%-4.050%	<u>\$ 1,405,000</u>

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for revenue bonds are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 180,000	\$ 52,323
2009	185,000	46,473
2010	190,000	39,998
2011	200,000	32,872
2012	210,000	25,372
2013-2014	440,000	26,610
<b>Total</b>	<b>\$1,405,000</b>	<b>\$ 223,648</b>

**Notes Payable**

Detail of the District's June 30, 2007 Special Assessment debt with O'Brien County is as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 11,454	\$ 1,443	\$ 12,897
2009	11,449	721	12,170
<b>Total</b>	<b>\$ 22,903</b>	<b>\$ 2,164</b>	<b>\$ 25,067</b>

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages of 55 and 64 and have completed at least 20 years of service in the District. Employees must complete an application at least one full year in advance, and it is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a maximum of one-half of one percent of the employee's current teaching salary as a base salary which is multiplied by the number of years of service the employee has rendered to the District. This total amount shall be in addition to the amount provided for salary in the contract for the final year of employment. Early retirement benefits paid during the year ended June 30, 2007 totaled \$20,303. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue Management Levy Fund in the fund's financial statements.

The non-current portion of the early retirement to recorded in the government-wide financial statements.

**NOTE 8 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 8 – PENSION AND RETIREMENT BENEFITS (CONTINUED)**

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$205,969, \$189,544, and \$187,893 respectively, equal to the required contributions for each year.

**NOTE 9 – RISK MANAGEMENT**

South O'Brien Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$244,936 for the year ended June 30, 2007 and is recorded in the General Fund.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final to</u>
	<u>Original</u>	<u>Amended</u>	<u>Funds</u>	<u>Fund</u>	<u>Actual</u>	<u>Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 3,104,410	\$ 3,104,410	\$ 3,314,347	\$ -	\$ 3,314,347	\$ 209,937
Tuition	140,000	140,000	136,085	-	136,085	(3,915)
Other	986,850	986,850	364,765	124,209	488,974	(497,876)
Intermediate Sources	60,000	60,000	-	-	-	(60,000)
State Sources	2,962,460	2,962,460	3,010,114	3,506	3,013,620	51,160
Federal Sources	475,000	475,000	447,641	122,912	570,553	95,553
 Total Revenue	 7,728,720	 7,728,720	 7,272,952	 250,627	 7,523,579	 (205,141)
<b>EXPENDITURES:</b>						
Current:						
Instruction	5,073,426	5,073,426	4,169,696	-	4,169,696	903,730
Support Services	2,139,626	2,139,626	2,047,562	-	2,047,562	92,064
Non-instructional Programs	465,786	465,786	-	246,391	246,391	219,395
Other Expenditures	1,181,791	1,181,791	855,828	-	855,828	325,963
 Total Expenditures	 8,860,629	 8,860,629	 7,073,086	 246,391	 7,319,477	 1,541,152
 Excess (Deficiency) of Revenues Over Expenditures	 (1,131,909)	 (1,131,909)	 199,866	 4,236	 204,102	 1,336,011
<b>Other Financing Sources (Uses):</b>						
Transfers In	447,635	447,635	447,635	-	447,635	-
Transfers Out	(447,655)	(447,655)	(447,635)	-	(447,635)	20
Sale of Capital Assets	10,000	10,000	-	-	-	(10,000)
Total Other Financing Sources (Uses)	 9,980	 9,980	 -	 -	 -	 (9,980)
 Net Change in Fund Balances	 (1,121,929)	 (1,121,929)	 199,866	 4,236	 204,102	 1,326,031
 Fund Balances - Beginning of Year	 2,014,524	 2,014,524	 1,918,758	 95,766	 2,014,524	 -
 Fund Balances - End of Year	 \$ 892,595	 \$ 892,595	 \$ 2,118,624	 \$ 100,002	 \$ 2,218,626	 \$ 1,326,031

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2007**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the fiscal year 2007, the District had no budget amendments.



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## OTHER SUPPLEMENTARY INFORMATION

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1

**REVENUES:**

Local Sources:

Local Tax:

Property Tax	\$ 2,148,095
Mobile Home Tax	93
Utility Tax Replacement Excise Tax	73,063
Surtax	144,364
	<u>2,365,615</u>

Other Local Sources:

Interest on Investments	104,933
Tuition from Individuals	11,862
Tuition from Other Districts	124,223
Rent	8,327
Miscellaneous	23,642
	<u>272,987</u>
	<u>2,638,602</u>

State Sources:

State Foundation Aid	2,398,828
Instructional Support State Aid	14,281
Foster Care State Aid	2,533
Educational Excellence Program:	
Phase I	58,250
Phase II	57,024
Non-Public Transportation Aid	47,567
Non-Public Textbook and Technology Aid	1,215
Teacher Compensation	142,451
Vocational Education Aid	5,999
Revenue in lieu of taxes - military credit	1,806
AEA Flow-Through	244,936
Iowa Early Intervention Block Grant	33,274
Other State Aid	1,950
	<u>3,010,114</u>

Federal Sources:

Title I Grants to Local Educational Agencies	97,876
Safe and Drug-Free Schools and Communities-States Grants	3,137
State Grants for Innovative Programs	903
Vocational Education - Basic Grants to States	8,053
Special Education - Grants to States	39,212
Improving Teacher Quality State Grants	42,511
Grants for Assessments and Related Activities	4,928
Medicaid	203,760
Comprehensive School Reform Grant	47,261
	<u>447,641</u>

Total Revenue	\$	6,096,357
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Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

**EXPENDITURES:**

**Instruction:**

Regular Instruction:

Salaries	\$ 1,682,896
Benefits	433,604
Services	286,642
Supplies	102,156
Property	45,752
Other	1,711
	<u>2,552,761</u>

Special Education Instruction:

Salaries	663,906
Benefits	198,480
Services	188,667
Supplies	18,601
Property	17,789
	<u>1,087,443</u>

Vocational Instruction:

Salaries	128,600
Benefits	32,701
Services	452
Supplies	5,380
Property	8,053
	<u>175,186</u>

Co-curricular Instruction:

Salaries	131,522
Benefits	19,572
Services	4,720
Supplies	379
	<u>156,193</u>

Nonpublic Instruction:

Supplies	1,215
	<u>1,215</u>

**Total Instruction**

**\$ 3,972,798**

Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

**Support Services:**

**Student Services:**

Attendance and Social Work Services:

Benefits	\$ 1,820
	<u>1,820</u>

Guidance Services:

Salaries	83,271
Benefits	22,058
Services	5,468
Supplies	1,782
	<u>112,579</u>

Health Services:

Salaries	22,312
Benefits	14,091
Services	2,289
Supplies	5,155
	<u>43,847</u>

**Total Student Services**

158,246

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Services	13,982
Supplies	613
	<u>14,595</u>

Educational Media Services:

Salaries	61,152
Benefits	19,283
Services	720
Supplies	12,664
Property	779
	<u>94,598</u>

Other Instructional Staff Support Services:

Salaries	24,872
Benefits	6,316
Services	20,582
Supplies	27,177
Property	44,663
	<u>123,610</u>

**Total Instructional Staff Services**

\$ 232,803

Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services:**

Executive Administration:

Salaries	\$ 150,961
Benefits	42,013
Services	12,310
Supplies	2,616
Property	730
	<u>208,630</u>

School Administration:

Salaries	184,640
Benefits	68,038
Services	6,798
Supplies	2,045
Property	141
	<u>261,662</u>

Business Administration:

Salaries	51,316
Benefits	22,853
Services	11,592
Supplies	11,454
Property	1,721

Iowa School Cash Anticipation Program:

Interest	15,851
Issuance Costs	1,008
Other	624
	<u>116,419</u>

Board of Education:

Benefits	4,023
Services	19,695
Supplies	5,337
Property	
Other	366
	<u>29,421</u>

**Total Administration Services:**

**\$ 616,132**

Continued

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

<b>Support Services (Continued):</b>	
<b>Plant Operation and Maintenance:</b>	
Salaries	\$ 157,373
Benefits	65,410
Services	40,708
Supplies	163,951
Property	2,173
	<u>429,615</u>
<b>Support Services:</b>	
<b>Student Transportation:</b>	
Salaries	148,869
Benefits	40,540
Services	28,482
Supplies	84,536
Property	20,361
	<u>322,788</u>
<b>Total Support Services</b>	<u>1,759,584</u>
<b>Other Expenditures:</b>	
AEA Flow-Through	<u>244,936</u>
Total Expenditures	<u>5,977,318</u>
Excess of Revenues Over Expenditures	<u>119,039</u>
Fund Balance - Beginning of Year	<u>1,136,561</u>
Fund Balance - End of Year	<u>\$ 1,255,600</u>

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2007**

	Special Revenue Funds			
	Management Levy	Student Activity	Ray Ginger Scholarship	Foundation
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 29,550	\$ 35,402	\$ 2,168	\$ 9,240
Receivables:				
Property Tax	2,120	-	-	-
Succeeding Year Property Tax	150,000	-	-	-
Accounts	-	578	-	-
Due from Other Funds	-	5,298	-	-
Inventories	-	677	-	-
Total Assets	181,670	41,955	2,168	9,240
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	-	600	-	-
Early Retirement Payable	1,332	-	-	-
Unearned Revenue	87	-	-	-
Deferred Revenue - Succeeding Year				
Property Taxes	150,000	-	-	-
Total Liabilities	151,419	600	-	-
Fund Balances:				
Reserved for:				
Inventory	-	677	-	-
Endowments	-	-	2,168	9,240
Unreserved for:				
Special Revenue Fund	30,251	40,678	-	-
Total Fund Balances	30,251	41,355	2,168	9,240
Total Liabilities and Equity	\$ 181,670	\$ 41,955	\$ 2,168	\$ 9,240

**Schedule 2**

<b>Permanent Fund</b>		<b>Debt Service</b>		<b>Total</b>	
<b>Dell Scholarship</b>					
\$	2,422	\$	-	\$	78,782
	-		-		2,120
	-		-		150,000
	-		-		578
	-		-		5,298
	-		-		677
<hr/>		<hr/>		<hr/>	
	2,422		-		237,455
<hr/>		<hr/>		<hr/>	
	-		-		600
	-		-		1,332
	-		-		87
	-		-		150,000
	-		-		152,019
<hr/>		<hr/>		<hr/>	
	-		-		677
	2,422		-		13,830
	-		-		70,929
	2,422		-		85,436
<hr/>		<hr/>		<hr/>	
\$	2,422	\$	-	\$	237,455
<hr/>		<hr/>		<hr/>	

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds			
	Management Levy	Student Activity	Ray Ginger Scholarship	Foundation
<b>REVENUE:</b>				
Local Sources:				
Local Tax	\$ 100,145	\$ -	\$ -	\$ -
Other	10,314	173,853	29	10,597
Total Revenue	110,459	173,853	29	10,597
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular Instruction	34,911	-	200	-
Other Instruction	-	161,387	-	250
Support Services:				
Instructional Staff Services	-	-	-	6,919
Administration Services	62,363	-	-	983
Operation and Maintenance	21,405	-	-	-
Transportation Services	20,889	-	-	-
Other Expenditures:				
Long-term Debt:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	139,568	161,387	200	8,152
Excess (Deficiency) of Revenues Over Expenditures	(29,109)	12,466	(171)	2,445
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(29,109)	12,466	(171)	2,445
Fund Balances - Beginning of Year	59,360	28,889	2,339	6,795
Fund Balances - End of Year	\$ 30,251	\$ 41,355	\$ 2,168	\$ 9,240

**Schedule 3**

<b>Permanent Fund</b>		
<b>Dell Scholarship</b>	<b>Debt Service</b>	<b>Total</b>
\$ -	\$ -	\$ 100,145
100	-	194,893
100	-	295,038
150	-	35,261
-	-	161,637
-	-	6,919
-	-	63,346
-	-	21,405
-	-	20,889
-	346,454	346,454
-	101,181	101,181
150	447,635	757,092
(50)	(447,635)	(462,054)
-	447,635	447,635
-	447,635	447,635
(50)	-	(14,419)
2,472	-	99,855
\$ 2,422	\$ -	\$ 85,436

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

					Schedule 4	
	Balance June 30, 2006	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2007	
General Athletics	\$ (2,320)	\$ 50,618	\$ 51,586	\$ (7,597)	\$ (10,885)	
Weight Room Club	193	5,000	5,133	-	60	
HS Football Club	97	30	-	-	127	
HS General Athletics Resale	1,208	-	-	(1,208)	-	
HS Student Council	873	3,487	2,141	-	2,219	
FFA	2,937	31,548	30,691	(41)	3,753	
Spanish Club	382	3,056	2,225	-	1,213	
HS Cheerleaders	(380)	5,624	2,590	147	2,801	
HS Science Club	215	-	-	-	215	
National Honor Society	550	394	585	-	359	
Model UN Club	157	1,375	703	-	829	
HS Art Club	337	-	49	-	288	
Dinner Theater Club	4,901	4,394	5,061	-	4,234	
HS Instrumental Music Resale	(2,176)	600	387	2,175	212	
HS Vocal Music Resale	(1)	647	122	-	524	
Renaissance	1,094	-	-	(1,094)	-	
Yearbook Club	10,063	10,793	14,209	(39)	6,608	
HS Speech Club	264	525	574	-	215	
JH Student Council	1,408	278	498	-	1,188	
HS Activity	1,300	8,278	6,028	(230)	3,320	
EI Student Council	4,822	29,829	27,161	-	7,490	
MS Marketing	2,135	983	888	-	2,230	
JH Athletics	-	2,646	6,378	3,732	-	
Kindergarten Activity	200	-	17	-	183	
General Activity Account	(4,117)	923	-	4,155	961	
Clothes For Kids	615	-	239	-	376	
Class of 2006	152	-	-	-	152	
Class of 2007	1,805	759	489	-	2,075	
Class of 2008	1,240	2,450	2,289	-	1,401	
Class of 2009	580	1,447	-	-	2,027	
Class of 2010	-	664	32	-	632	
District Football	325	760	263	-	822	
Intramural Basketball	30	280	150	-	160	
Elementary Playground	-	6,465	899	-	5,566	
Totals - All Activity Funds	\$ 28,889	\$ 173,853	\$ 161,387	\$ -	\$ 41,355	

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004**

**Schedule 5**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 3,314,347	\$ 3,431,676	\$ 3,638,870	\$ 3,495,376
Tuition	136,085	121,513	104,325	107,411
Other	364,765	351,465	351,552	244,343
Intermediate Sources	-	-	56,155	50,912
State Sources	3,010,114	2,958,051	2,669,707	2,652,986
Federal Sources	447,641	313,666	324,853	291,421
Total	<u>7,272,952</u>	<u>7,176,371</u>	<u>7,145,462</u>	<u>6,842,449</u>
<b>Expenditures:</b>				
Instruction:				
Regular	2,588,022	2,388,993	2,304,201	2,273,279
Special	1,087,443	932,684	1,017,285	1,071,735
Other	494,231	720,231	546,008	512,964
Support Services:				
Student	158,246	262,464	274,449	303,429
Instructional Staff	239,722	312,508	388,374	311,651
Administration	679,553	672,739	583,215	592,879
Operation and maintenance	543,007	586,845	480,195	484,229
Transportation	427,034	349,115	288,567	362,863
Non-instructional programs	-	-		
Other Expenditures:				
Facilities Acquisition	163,257	2,556,606	914,354	373,558
Long-term debt:				
Principal	346,454	331,454	111,454	11,454
Interest and other charges	101,181	173,909	51,599	4,467
AEA Flowthrough	244,936	239,076	235,162	241,662
Total	<u>\$ 7,073,086</u>	<u>\$ 9,526,624</u>	<u>\$ 7,194,863</u>	<u>\$ 6,544,170</u>

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**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Schedule 6**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Accounting – Segregation of Duties**

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**II-B-07 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.



**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Schedule 6 (Continued)**

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**Part II: Findings Related to the Financial Statements (Continued):**

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-07      Certified Budget – Disbursements for the year ended June 30, 2007 did not exceed the amounts budgeted.
- III-B-07      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-07      Business Transactions – Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Paul Miller, Employee's Spouse Owner of Whiskey Creek Log Homes	Contractor	\$ 19,808
John Muller, Employee's Spouse Owner of Muller Furniture	Contractor	\$ 19,251

These transactions may represent a conflict of interest and the District should contact legal council for determination.

- III-E-07      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07      Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.
- III-G-07      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Schedule 6 (Continued)**

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**Part III: Other Findings Related to Statutory Reporting – (Continued):**

III-H-07      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-I-07      Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

III-J-07      Deficit Balances – One student activity account had a deficit balance at June 30, 2007.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the  
South O'Brien Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the South O'Brien Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the South O'Brien School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South O'Brien School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South O'Brien School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South O'Brien School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the South O'Brien School District's financial statements that is more than inconsequential will not be prevented or detected by the South O'Brien School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-07 and II-B-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the South O'Brien School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The South O'Brien School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the South O'Brien School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of South O'Brien Community School District and other parties to whom the South O'Brien Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South O'Brien Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 30, 2007